

SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made and is effective this ^{25th MEJ} ~~16th~~ day of May 2006 (Effective Date), by and between Union Savings Bank, OTS Docket No. 08150, 1500 Mercantile Ave., NE, Albuquerque, NM (the Institution), a federally chartered savings association, and the Office of Thrift Supervision (OTS), an office within the United States Department of the Treasury, acting through its West Regional Director (Regional Director) or his designee.

WHEREAS, the OTS is the primary federal regulator of the Institution;

WHEREAS, based on the Institution's Limited 2005 examination that commenced December 23, 2005 and related to an employee embezzlement (2005 Examination), and the resulting capital condition of the institution, the OTS is of the opinion that the Institution has operated in an unsafe and unsound manner;

WHEREAS, the OTS believes that grounds exist to initiate an administrative proceeding against the Institution;

WHEREAS, the OTS believes that it is appropriate to take measures to ensure that the Institution will: (i) comply with all applicable laws and regulations; and (ii) engage in safe and sound practices; and

WHEREAS, the Institution, acting through its Board of Directors (Board), without admitting or denying that such grounds exist except those as to jurisdiction, which are admitted, wishes to cooperate with the OTS and to evidence the intent to: (i) comply with all applicable laws and regulations; and (ii) engage in safe and sound practices.

NOW THEREFORE, in consideration of the above premises and the mutual undertakings set forth herein, the parties hereto agree as follows:

I. Strategic Plan Required

- A. Within thirty (30) of the Effective Date, the Board shall approve and submit to the Assistant Director (AD) for review and non-objection, a Strategic Plan. The Strategic Plan shall address the Institution's plans, if any, for a sale, merger, or other combination. If the Board decides to pursue a sale, merger, or other combination strategy, that strategy should be detailed and should, at a minimum: (a) set forth specific steps and time frames to initiate and complete the proposed action; (b) identify persons responsible to supervise the proposed action, including any anticipated new personnel and legal or other advisors; and (c) set forth specific and reasonable time frames for each step and interim goal leading to the proposed action.
- B. If the Institution's strategic plan includes pursuit of a sale, merger, or other combination strategy, the Institution need not comply with paragraphs II and III of this Agreement. Otherwise, the Institution shall fully comply with all provisions of this Agreement within the time periods allotted.

II. Enhancement of Management, Staff, and Directorate

A. New Directors

1. The Institution shall immediately take all appropriate actions to appoint a minimum of two new directors, acceptable to the OTS and to its Board. To be eligible for these positions, the candidates must have a demonstrated successful record of serving in appropriate and related positions in the financial industry; and possess appropriate background, experience, and skill relative to the positions to be filled. The candidates should be independent of management,¹ and otherwise have no business or other relationship (direct or indirect) with management.
2. To the extent necessary, the Institution shall submit to OTS a Notice of amendment of bylaws, articles of incorporation, or charter as appropriate to add two new board members.
3. By the last business day of each month until the Institution has hired qualified individuals to fill the Board seats, the Institution's Board shall submit to the AD a written status report detailing the Institution's efforts and progress in complying with this section of the Agreement.

B. Chief Financial Officer

The Institution shall immediately take all appropriate actions to hire a qualified individual for the position of Chief Financial Officer (CFO). To be eligible to be hired for this position, the candidates must have a demonstrated successful record of serving in appropriate and related positions in the financial industry; and possess appropriate background, experience, and skill relative to the position of CFO.

C. Prior Notice

The Institution's actions related to the hiring of any person deemed to be a "senior executive officer" and the addition of new directors shall be consistent with the requirements of 12 C.F.R. § 563.555.

III. Independent Review of Internal Controls

- A. Within thirty (30) days after the Effective Date of this Agreement, the Board shall engage a qualified, independent third party (Consultant) to conduct an independent review and analysis of the Institution's internal controls. Within forty five (45) days of its engagement, the Consultant shall prepare a written report for the Board, with a copy to the

¹ "Independent of Management" means that the person: (i) is not an officer, employee, or consultant of the Institution or its affiliates, (ii) is not, either by blood or marriage, related to any existing officer of the Institution or its affiliates, (iii) does not currently have a business or professional relationship with any existing Institution director, officer, or their attorneys or consultants and (iv) to the extent not inconsistent with the foregoing, meets the criteria set forth at 12 C.F.R. Part 363 and Appendix A thereof.

AD, containing its findings, conclusions, and recommendations. The Board shall adopt and cause management to implement appropriate corrective actions to address and resolve each negative finding in the Consultant's report.

- B. Within thirty (30) days after adoption of the corrective actions required by paragraph A above, the Board shall approve and submit to the AD for review and non-objection new policies and procedures or modify and amend existing policies and procedures governing internal controls (Internal Control Policy). At a minimum, the Internal Control Policy must:
1. conform to section II.A. of the Part 570 Safety and Soundness Standards;
 2. be designed to cause the Institution to comply with 12 C.F.R. § 563.161;
 3. consider the guidance at paragraph 10 of Appendix A to 12 C.F.R. Part 363;
 4. consider the scope and risk of the Institution's activities; and
- C. The Board shall ensure that the Institution has processes, personnel, and control systems to ensure proper implementation of and adherence to the Internal Control Policy.

IV. Restrictions Per OTS Policy: General Provisions

A. Board and Management Changes

The Institution shall be and is subject to the requirements and limitations set out in Subpart H of Part 563 of the OTS's regulations (12 C.F.R. §§ 563.550-590). Without limitation on such requirements and limitations, this means, among other things, that, except as otherwise permitted by 12 C.F.R. 5 563.590, no person shall be appointed as a director or be hired as a senior executive officer of the Institution unless: (1) the Institution (or the individual, if appropriate) previously has filed with the OTS an appropriate and complete notice pursuant to 12 C.F.R. Part 563, Subpart H; and (2) the person's commencement of service on behalf of the Institution is permissible under 12 C.F.R. 563.585 and 12 U.S.C. § 1831i.

B. Compensation and Benefit Arrangements

Pursuant to OTS Regulatory Bulletin 27b the Institution shall not enter into, renew, extend or revise any contractual arrangement related to compensation or benefits with any director or senior executive officer of the Institution unless the Institution first: (1) provides a minimum of 30 days advance notice of the proposed transaction and (2) receives a written notice of non-objection from the Regional Director.

C. No "Golden Parachutes"

The restrictions at 12 C.F.R. Part 359 (concerning "golden parachute payments" and "prohibited indemnification payments") apply to the Institution and its holding company. Without limitation on the generality of the foregoing, this means that the Institution shall not

make any "golden parachute payment," as that term is defined 12 U.S.C. § 1828k and in 12 C.F.R. Part 359, except as that statute and regulation permit.

V. Director Responsibility

Notwithstanding the requirements of this Agreement that the Board submit various matters to the OTS for the purpose of receiving non-objection, such regulatory oversight does not derogate or supplant each individual director's continuing fiduciary duty. The Board shall have the ultimate responsibility for overseeing the safe and sound operation of the Institution at all times, including compliance with the determinations of the Regional Director as required by this Agreement.

VI. Definitions

All technical words or terms used in this Agreement for which meanings are not specified or otherwise provided by the provisions of this Agreement shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, HOLA, Federal Deposit Insurance Act (FDIA) or OTS Memoranda. Any such technical words or terms used in this Directive and undefined in the Code of Federal Regulations, HOLA, FDIA, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

VII. Successor Statutes, Regulations, Guidance, Amendments

Reference in this Agreement to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

VIII. Submission of Documents to OTS/Compliance with Plans, Policies and Procedures

A. When required by this Agreement to submit documents to OTS, the Institution shall submit them as follows:

The original to:	With a copy to:
Michael E. Finn Regional Director, West Region Office of Thrift Supervision 2001 Junipero Serra Blvd Daly City, CA 94014-1976	Timothy J. Lane Assistant Director, West Region Office of Thrift Supervision 1551 N. Tustin Ave., Suite 1050 Santa Ana, CA 92705

B. During the term of this Agreement, any plans, policies, and procedures that have been submitted to OTS for its approval or non-objection, and have been approved or deemed to be not objectionable by OTS, shall not be amended or rescinded without the prior written approval of the Regional Director.

IX. Duration, Termination or Suspension of Agreement

A. This Agreement shall:

1. become effective upon its execution by the OTS, through its authorized representative whose signature appears below; and
2. remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director or the Regional Director (including any authorized designee thereof).

B. The Regional Director in his sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

X. Time Limits

Time limitations for compliance with the terms of this Agreement run from the Effective Date, unless otherwise noted.

X1. Effect of Headings

The Section headings herein are for convenience only and shall not affect the construction hereof.

XII. Separability Clause

In case any provision in this Agreement is ruled to be invalid, illegal or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his sole discretion determines otherwise.

XIII. No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted

A. Nothing in this Agreement shall be construed as:

1. allowing the Institution to violate any law, rule, regulation, or policy statement to which it is subject; or
2. restricting the OTS from taking such action(s) as are appropriate in fulfilling the responsibilities placed upon it by law, including, without limitation, any type of supervisory, enforcement or resolution action affecting the Institution or any of its current or former institution-affiliated parties that the OTS determines to be appropriate.

XIV. Successors in Interest/Benefit

The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Agreement, express or implied, shall give to any person or entity, other than the parties hereto and the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim under this Agreement.

XV. Signature of Directors

Each Director signing the Agreement attests, by such act, that he or she voted in favor of a Board resolution authorizing the execution of this Agreement by the Institution.

XVI. Integration Clause

This Agreement represents the final written agreement of the parties with respect to its subject matter and constitutes the sole agreement of the parties, as of the Effective Date, with respect to such subject matter. However, as noted herein, all Plans and Policies required by this Agreement shall, upon modification consistent with the direction of the Regional Director, become part of this Agreement and any deviation from them shall be deemed a violation of this Agreement.

XVII. Enforceability of Agreement

The Institution represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Institution. The Institution acknowledges that this Agreement, is a "written agreement" entered into with the OTS within the meaning of Section 8 of the FDIA, 12 U.S.C. §1818.

//
//
//
//
//
//
//
//
//
//
//
//
//

XVIII. Counterparts

This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and each of which shall be deemed an original.

IN WITNESS WHEREOF, the OTS, acting by and through the Regional Director and the Institution, in accordance with a duly adopted resolution of its Board, hereby execute this Agreement as of the Effective Date.

OFFICE OF THRIFT SUPERVISION

By: /s/ Michael E. Finn

Michael E. Finn

Regional Director

Date: May 16, 2006

25 MEJ

UNION SAVINGS BANK

By: /s/ Ralph Montano

Ralph Montano

Title: Chairman of the Board

Date: May 16, 2006

/s/ Samuel K. Collins, Jr.

Samuel K. Collins, Jr.

Director

/s/ William Lang

William Lang

Director

/s/ Charles Reynolds

Charles Reynolds

Director

/s/ Max Kuykendall

Max Kuykendall

Director

/s/ Kevin Yearout

Kevin Yearout

Director

/s/ Tony Thomas

Tony Thomas

Director

/s/ Paul Cassidy

Paul Cassidy

Director